



TOWNSHIP OF SAGE
Gladwin County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Sage	County Gladwin
Audit Date March 31, 2005	Opinion Date June 9, 2005	Date Accountant Report Submitted to State: June 9, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686		City Bay City	State MI
Accountant Signature Campbell, Kusterer & Co., P.C.		Zip 48707	

TOWNSHIP OF SAGE
Gladwin County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

June 9, 2005

To the Township Board
Township of Sage
Gladwin County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Sage, Gladwin County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Sage's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Sage, Gladwin County, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF SAGE
Gladwin County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Township of Sage covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled \$670,195.22 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$451,093.27 from governmental activities. Governmental activities had a \$99,808.71 increase in net assets with no major road improvements.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole. The statement of net assets includes all the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

TOWNSHIP OF SAGE
Gladwin County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

FUND FINANCIAL STATEMENTS (continued)

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

We continue to pay our loan through Chemical Bank. Our original loan was taken out on August 31, 2000, in the amount of \$420,000.00. It is now down to \$290,557.49.

Our cash position for the governmental activities remain strong.

Our external debt has approximately 7 years left and a \$290,557.49 balance for the Township Hall.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The Township had General Fund revenues in excess of expenditures for the year in the amount of \$83,735.77.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township's governmental activities paid \$24,297.94 of principal on the note payable.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents a significant portion of our income. We continue to grow in taxable values.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Township Clerk or Township Treasurer at 1831 Pratt Lake Road, Gladwin, Michigan 48624.

TOWNSHIP OF SAGE
Gladwin County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	318 927 69
Taxes receivable	<u>24 095 02</u>
Total Current Assets	<u>343 022 71</u>
NONCURRENT ASSETS:	
Capital Assets	658 855 00
Less: Accumulated Depreciation	<u>(41 125 00)</u>
Net Capital assets	<u>617 730 00</u>
TOTAL ASSETS	<u><u>960 752 71</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NONCURRENT LIABILITIES:	
Note payable	<u>290 557 49</u>
Total Noncurrent Liabilities	<u>290 557 49</u>
Total Liabilities	<u>290 557 49</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	327 172 51
Unrestricted	<u>343 022 71</u>
Total Net Assets	<u>670 195 22</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>960 752 71</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SAGE
Gladwin County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	26 328 44	-	(26 328 44)
General government	80 820 33	13 307 04	(67 513 29)
Public safety	67 127 61	5 250 00	(61 877 61)
Public works	158 094 12	128 251 08	(29 843 04)
Interest on long-term debt	18 914 06	-	(18 914 06)
Total Governmental Activities	<u>351 284 56</u>	<u>146 808 12</u>	<u>(204 476 44)</u>
General Revenues:			
Property taxes			111 451 04
State revenue sharing			183 041 74
Interest			1 662 83
Miscellaneous			<u>8 129 54</u>
Total General Revenues			<u>304 285 15</u>
Change in net assets			99 808 71
Net assets, beginning of year			<u>570 386 51</u>
Net Assets, End of Year			<u>670 195 22</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SAGE
Gladwin County, Michigan

BALANCE SHEET – GOVERNMENTAL FUND
March 31, 2005

<u>Assets</u>	<u>General</u>
Cash in bank	
Taxes receivable	318 737 24
Due from other funds	24 095 02
	<u>190 45</u>
Total Assets	<u>343 022 71</u>
<u>Liabilities and Fund Equity</u>	
Liabilities	
Total liabilities	<u>-</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	
Total fund equity	<u>343 022 71</u>
	<u>343 022 71</u>
Total Liabilities and Fund Equity	<u>343 022 71</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SAGE
Gladwin County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS
March 31, 2005

TOTAL FUND BALANCE – GOVERNMENTAL FUND	343 022 71
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental fund balance sheet:	
Capital assets at cost	658 855 00
Accumulated depreciation	(41 125 00)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental fund:	
Note payable	<u>(290 557 49)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>670 195 22</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SAGE
Gladwin County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUND
Year ended March 31, 2005

	<u>General</u>
Revenues:	
Property taxes	
Licenses and permits	111 451 04
State revenue sharing	11 507 04
Interest	183 041 74
Rent	1 662 83
Special assessments	7 050 00
Miscellaneous	128 251 08
	<u>8 129 54</u>
Total revenues	
	<u>451 093 27</u>
Expenditures:	
Legislative:	
Township Board	
General government:	26 328 44
Supervisor	
Elections	6 200 04
Assessor	2 021 29
Clerk	26 575 44
Board of Review	10 478 44
Treasurer	453 00
Building and grounds	10 463 37
Public safety:	16 403 75
Fire protection	
Planning and zoning	61 824 38
Public works:	5 303 23
Highways and streets	
Sanitation	31 360 04
Debt service	126 734 08
	<u>43 212 00</u>
Total expenditures	
	<u>367 357 50</u>
Excess of revenues over expenditures	
	83 735 77
Fund balance, April 1	
	<u>259 286 94</u>
Fund Balance, March 31	
	<u><u>343 022 71</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SAGE
Gladwin County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUND 83 735 77

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense (8 225 00)
Capital Outlay -

Repayment of debt principal is an expenditure in the governmental funds, the
repayment does not have an effect in the statement of activities but does
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt 24 297 94

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES 99 808 71

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Sage, Gladwin County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Sage. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Joint Venture

The Township and the Townships of Buckeye, Hay, Gladwin, Grout and Sherman and the City of Gladwin jointly formed the Gladwin Rural Urban Fire Protection District to provide fire protection service for the seven local governmental units. For the fiscal year ended March 31, 2005, the Township of Sage paid \$60,556.70 to the Fire District. The Fire District is not considered a part of the reporting entity of the Township of Sage. Separate financial statements of the Fire District may be obtained directly from their office at 710 East Cedar Avenue, Gladwin, Michigan.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2004 tax roll millage rate was 1.8136 mills, and the taxable value was \$62,609,244.00.

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	40-60 years
Furniture and equipment	20 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$617,730.00.

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>321,396.22</u>

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 3 – Deposits and Investments (continued)

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	181 926 86
Uninsured and Uncollateralized	<u>142 026 22</u>
Total Deposits	<u>323 953 08</u>

The Township of Sage did not have any investments as of March 31, 2005.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/05</u>
<u>Governmental Activities:</u>				
Land	191 855 00	-	-	191 855 00
Buildings	455 000 00	-	-	455 000 00
Equipment	<u>12 000 00</u>	<u>-</u>	<u>-</u>	<u>12 000 00</u>
Total	658 855 00	-	-	658 855 00
Accumulated Depreciation	<u>(32 900 00)</u>	<u>(8 225 00)</u>	<u>-</u>	<u>(41 125 00)</u>
Net Capital Assets	<u>625 955 00</u>	<u>(8 225 00)</u>	<u>-</u>	<u>617 730 00</u>

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering all elected officers and full-time employees. The Township contributes 6.2% of each covered employee's wages to the plan. Each covered employee also contributes 6.2% of their wages to the plan. The net pension expense for the fiscal year ended March 31, 2005, was \$1,674.62.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Sage does not issue building permits. Building permits are issued by the County of Gladwin.

TOWNSHIP OF SAGE
Gladwin County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	190 45	Current Tax Collection	190 45
Total	<u>190 45</u>	Total	<u>190 45</u>

Note 10 – Changes in Long-Term Debt

A summary of changes in long-term debt follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/05</u>
Note payable – township hall	314 855 43	-	24 297 94	290 557 49
Total	<u>314 855 43</u>	<u>-</u>	<u>24 297 94</u>	<u>290 557 49</u>

Note 11 – Note Payable – Township Hall

On August 31, 2000, the Township entered into an installment purchase agreement, whereby the Township obtained a \$420,000.00 loan from Chemical Bank to partially fund the construction of a new Township Hall. The loan requires monthly payments in the amount of \$3,601.00, including principal and interest at the rate of 6.25% per annum, subject to future adjustment. As of March 31, 2005, the principal balance outstanding was \$290,557.49.

TOWNSHIP OF SAGE
Gladwin County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	107 909 15	107 909 15	111 451 04	3 541 89
Licenses and permits	7 000 00	7 000 00	11 507 04	4 507 04
State revenue sharing	186 000 00	186 000 00	183 041 74	(2 958 26)
Interest	1 500 00	1 500 00	1 662 83	162 83
Rent	10 000 00	10 000 00	7 050 00	(2 950 00)
Special assessments	127 560 08	127 560 08	128 251 08	691 00
Miscellaneous	2 600 39	2 600 39	8 129 54	5 529 15
Total revenues	<u>442 569 62</u>	<u>442 569 62</u>	<u>451 093 27</u>	<u>8 523 65</u>
Expenditures:				
Legislative:				
Township Board	38 900 16	42 400 16	26 328 44	(16 071 72)
General government:				
Supervisor	6 500 00	6 500 00	6 200 04	(299 96)
Elections	2 250 00	2 250 00	2 021 29	(228 71)
Assessor	32 600 00	32 600 00	26 575 44	(6 024 56)
Clerk	10 600 00	10 600 00	10 478 44	(121 56)
Board of Review	1 210 00	1 210 00	453 00	(757 00)
Treasurer	11 000 00	11 000 00	10 463 37	(536 63)
Building and grounds	33 080 00	33 080 00	16 403 75	(16 676 25)
Public safety:				
Fire protection	59 712 00	61 856 70	61 824 38	(32 32)
Planning and zoning	6 850 04	6 850 04	5 303 23	(1 546 81)
Public works:				
Highways and streets	43 300 00	43 300 00	31 360 04	(11 939 96)
Sanitation	133 060 00	133 060 00	126 734 08	(6 325 92)
Other:				
Contingency	260 987 27	255 442 57	-	(255 442 57)
Debt service	43 300 00	43 300 00	43 212 00	(88 00)
Total expenditures	<u>683 349 47</u>	<u>683 449 47</u>	<u>367 357 50</u>	<u>(316 091 97)</u>
Excess (deficiency) of revenues over expenditures	(240 779 85)	(240 879 85)	83 735 77	324 615 62
Fund balance, April 1	<u>240 779 85</u>	<u>240 879 85</u>	<u>259 286 94</u>	<u>18 407 09</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>343 022 71</u>	<u>343 022 71</u>

TOWNSHIP OF SAGE
Gladwin County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year ended March 31, 2005

Township Board:

Wages	1 920 00
Audit and accounting	3 150 00
Memberships and dues	1 366 37
Printing and publishing	1 344 02
Insurance	900 00
Equalization	3 570 52
Payroll taxes	964 30
Pension	1 674 62
Legal	1 328 25
Summer tax	5 200 00
Miscellaneous	4 910 36
	<u>26 328 44</u>

Supervisor:

Salary	<u>6 200 04</u>
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Elections:

Wages	1 806 25
Miscellaneous	215 04
	<u>2 021 29</u>

Assessor:

Contracted services	25 326 36
Expenses	1 249 08
	<u>26 575 44</u>

Clerk:

Salary	9 500 04
Office expense	978 40
	<u>10 478 44</u>

Board of Review:

Wages	300 00
Miscellaneous	153 00
	<u>453 00</u>

Treasurer:

Salary	9 000 00
Office expense	1 463 37
	<u>10 463 37</u>

Building and grounds:

Insurance	4 912 42
Utilities	5 956 89
Custodian	1 635 00
Repairs and maintenance	3 899 44
	<u>16 403 75</u>

Fire protection:

Wages	60 556 70
Contracted services	1 267 68
	<u>61 824 38</u>

Planning and zoning:

Wages	1 860 00
Permit fees	1 230 00
Printing and publishing	513 19
Administrator fees	1 700 04
	<u>5 303 23</u>

TOWNSHIP OF SAGE
Gladwin County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT

Year ended March 31, 2005

Highways and streets	<u>31 360 04</u>
Sanitation:	
Contracted services	125 922 48
Compost site	<u>811 60</u>
	<u>126 734 08</u>
Debt service	<u>43 212 00</u>
Total Expenditures	<u><u>367 357 50</u></u>

TOWNSHIP OF SAGE
Gladwin County, Michigan

CURRENT TAX COLLECTION FUND STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2005

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/05</u>
<u>Assets</u>				
Cash in Bank	<u>2 150 71</u>	<u>1 888 617 85</u>	<u>1 888 109 58</u>	<u>2 658 98</u>
<u>Liabilities</u>				
Due to other funds	244 00	222 728 34	222 781 89	190 45
Due to others	<u>1 906 71</u>	<u>1 665 889 51</u>	<u>1 665 327 69</u>	<u>2 468 53</u>
Total Liabilities	<u>2 150 71</u>	<u>1 888 617 85</u>	<u>1 888 109 58</u>	<u>2 658 98</u>

TOWNSHIP OF SAGE
Gladwin County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year ended March 31, 2005

Cash on hand and in bank – beginning of year	<u>2 150 71</u>
Cash receipts:	
Property tax	1 886 691 85
Animal licenses	<u>1 926 00</u>
Total cash receipts	<u>1 888 617 85</u>
Total beginning balance and cash receipts	<u>1 890 768 56</u>
Cash disbursements:	
Township General Fund	222 781 89
Clare-Gladwin ISD	119 987 84
Gladwin Community Schools	527 438 23
Gladwin County	939 797 72
Mid-Michigan Community College	71 978 99
Refunds	<u>6 124 91</u>
Total cash disbursements	<u>1 888 109 58</u>
Cash on Hand and in Bank – End of Year	<u><u>2 658 98</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 9, 2005

To the Township Board
Township of Sage
Gladwin County, Michigan

We have audited the financial statements of the Township of Sage for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Sage in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Sage
Gladwin County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Township of Sage began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board
Township of Sage
Gladwin County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants